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ORIGIN SS-10

INFO OCT-01 ISO-00 SSO-00 /011 R

66619

DRAFTED BY T:JLKESLER:DLS

APPROVED BY T:MR KESSLER

S/S:MR LUERS

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O 132231Z JAN 75

FM SECSTATE WASHDC

TO AMEMBASSY MANILA IMMEDIATE

S E C R E T STATE 007843

LIMDIS

FOR UNDER SECRETARY MAW

THE FOLLOWING IS A REPEAT OF SEOUL 0002 ACTION

SECSTATE INFO SECDEF CINCPAC CINCUSNC JUSMAG 03

JANUARY 1975. QUOTE:

S E C R E T SEOUL 0002

LIMDIS: FURTHER DISSEMINATION W/O PERMISSION OF SENDER

IS NOT PERMITTED

JOINT EMBASSY/COMUSK MESSAGE

REF: SEOUL 8642

EO 11652: GDS

TAGS: MASS, MILI, KS

SUBJECT: THIRD COUNTRY PURCHASES OF EXOCET AND SUBMARINES

1. KOREAN' TENTATIVE DECISIONS TO PURCHASE EXOCET
MISSILES AND SUBMARINES DESPITE OUR STRONGLY EXPRESSED
OPPOSITION AT HIGH LEVELS OF ROKG IS CLEAREST MANIFESTA-
TION YET OF GROWING ROK INDEPENDENCE ON ISSUE OF THIRD
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COUNTRY PURCHASES. DECISIONS POSE CLEAR-CUT QUESTION

AS TO WHAT WE ARE PREPARED TO DO. WE BELIEVE THEY CALL FOR FIRM RESPONSE.

2. FROM OUR CONVERSATIONS, ROK'S THIRD COUNTRY PURCHASE DECISIONS APPEAR TO BE BASED FUNDAMENTALLY ON CALCULATION:

- A) THAT OUR GRANT MILITARY ASSISTANCE IS DECLINING RAPIDLY;
- B) THAT BECAUSE WE ARE DOING LESS AND THEY ARE NOW SUFFICIENTLY KNOWLEDGEABLE, ROKG HAS RIGHT TO MORE INDEPENDENCE IN MAKING HARDWARE DECISIONS PARTICULARLY IN EXPEDITING MODERNIZATION OF FORCES; AND
- C) THAT WHATEVER THEY LIKELY TO LOSE BECAUSE OF US CONGRESSIONAL AND ADMINISTRATION REACTION IS NOT SUFFICIENT TO OFFSET THE VALUE OF EXERCISING THEIR OWN JUDGMENT IN OBTAINING EQUIPMENT FOR WHICH THEY PERCEIVE VALID OPERATIONAL NEED AND DIVERSIFYING SOURCES OF THEIR MILITARY SUPPLY.

3. WHILE ROK'S UNQUESTIONABLY REMAIN BASICALLY COMMITTED TO USE AND PURCHASE OF U.S. EQUIPMENT, E.G. COPRODUCTION OF F5E, THESE DECISIONS ARE ALSO UNDOUBTEDLY DESIGNED TO TELL US THAT KOREA WILL INCREASINGLY REPRESENT A BUYER'S MARKET FOR MILITARY HARDWARE IN WHICH U.S. MUST PROVE COMPETITIVE. AS INDICATED SEOUL 8619, ROK'S MAY ALSO BE MOTIVATED IN PART BY PRESIDENT PARK'S HASTE TO DEVELOP MODERN FORCES MIRRORING NORTH KOREA, AND IN PART BY EMOTIONAL REACTION TO FRASER AMENDMENT; WE UNDERSTAND FRASER AMENDMENT WAS DISCUSSED AT AGENCY FOR DEFENSE DEVELOPMENT MEETING WHERE EXOCET AND SUBMARINE TENTATIVE DECISIONS MADE, (REFTEL). FINALLY, WE CANNOT DISCOUNT AS MOTIVES POSITIVE POLITICAL GAIN ROK'S SEE IN PURCHASES FROM EUROPE AND POSSIBLE CORRUPTION IN CERTAIN QUARTERS ROKG.

4. ASIDE FROM THESE MOTIVATIONS, WITH ROK CASH MILITARY PURCHASES NOW EXCEEDING GRANT AID AND CREDIT SALES, ROK'S SENSE THEIR OPTIONS ARE INCREASING AND OUR COUNTER OPTIONS MAY BE MORE LIMITED. AT SAME TIME, WE SUSPECT ROK'S ARE OVERLOOKING SUBSTANTIAL PROBLEMS AT WASHINGTON END, AND WE BELIEVE THAT WE SHOULD CONTINUE TO TRY TO PERSUADE THEM TO CHANGE THEIR MINDS. LOGICALLY, OPTIONS AS WE SEE THEM ARE: A) EXERTION OF MASSIVE POTENTIAL LEVERAGE WE STILL HAVE; B) BETTER EXPLANATION OF THE CONSEQUENCES OF THEIR DECISIONS IN TERMS OF OUR FUTURE

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ABILITY TO AID AND ASSIST ROK MILITARY EFFORT; C) GREATER EFFORT TO COMPETE.

5. U.S. RETAINS CONSIDERABLE LEVERAGE OVER ANY ROK DECISIONS THROUGH MUTUAL DEFENSE TREATY, TROOP PRESENCE, AND CONTINUING CAPABILITY TO SUPPLY ROK'S WITH NEEDED EQUIPMENT. HOWEVER, THERE ARE ENORMOUS RISKS IN THE USE OF THIS KIND OF LEVERAGE. THREATENING TROOP WITHDRAWALS FOR EXAMPLE, COULD LEAD US DOWN

A PATH OF INCREASING DISTRUST AND RECRIMINATION AND WOULD TEND TO DECREASE RATHER THAN INCREASE STABILITY IN THE REGION. IT COULD ALSO COST DEARLY IN FUTURE LOSSES OF MILITARY SALES.

6. MORE REALISTIC ACTION IS WARNING TO ROK'S THAT THEIR DECISIONS WILL CREATE CONSIDERABLE DIFFICULTY IN WASHINGTON AND OUR ABILITY TO ASSIST THEIR MILITARY EFFORTS WILL VERY PROBABLY BE CURTAILED. WE BELIEVE THAT ROK'S MAY HAVE UNDERESTIMATED THESE POSSIBLE COSTS IN MAKING THEIR THIRD COUNTRY PURCHASE DECISION. SEVERAL TIMES AT MINISTERIAL AND WORKING LEVELS WE HAVE CAUTIONED ABOUT POSSIBLE CONGRESSIONAL REACTION. IN ESSENCE, ROK REACTION HAS BEEN THAT OUR TOTAL MILITARY ASSISTANCE IN FY 75 WILL ONLY COMPRISE ROUGHLY ONE TENTH OF THEIR TOTAL DEFENSE OUTLAYS OF ABOUT \$1 BILLION, THAT MILITARY GRANT ASSISTANCE WILL CONTINUE TO FALL REGARDLESS OF THEIR DECISIONS TO BUY ELSE-WHERE, AND THAT WE ARE NOT LIKELY TO CUT BACK FMS CREDIT LEVELS, SINCE THIS WOULD MAKE US EVEN LESS COMPETITIVE IN SELLING ARMS TO KOREA.

7. AS INDICATED, WE BELIEVE THIS PART OF ROK CALCULATION MAY OVERLOOK SUBSTANTIAL PROBLEMS WHICH WILL ARISE IN WASHINGTON IN OBTAINING FUTURE ASSISTANCE. WE HAVE OUTLINED THESE PROBLEMS TO ROK'S IN GENERAL AS WE PERCEIVE THEM; ANY SPECIFICS WE CAN ADD REGARDING POSSIBLE DIFFICULTIES FROM WASHINGTON AGENCY VIEWPOINT WOULD BE HELPFUL. AS SOON AS INSTRUCTED WE PROPOSE TO MAKE FURTHER HIGH LEVEL APPROACHES AGAINST EXOCET AT LEAST IN EFFORT TO TURN AROUND RECENT DECISION. WE BELIEVE WE MUST BE AS EXPLICIT AS POSSIBLE WITH ROK'S ABOUT CONSEQUENCES OF THEIR DECISION.

8. FINAL OPTION, IMPROVING OUR COMPETITIVE POSITION, IS IN LONG RUN MOST VIABLE ONE IN COMBATTING ROK TENDENCY TO EXPLORE
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THIRD COUNTRY SOURCES. WE RECOGNIZE WASHINGTON IS FACED WITH GREAT MANY COMPETING DEMANDS FOR PRIORITY ARMS DELIVERIES AND WE PARTICULARLY APPRECIATE RECENT EFFORTS TO BREAK LOOSE VARIETY OF DECISIONS FAVORABLE TO ROK; THESE SHOULD HELP US IN OUR EFFORTS TO DETER EXOCET AND SUBMARINE PURCHASES. BUT, WE MUST BE PREPARED TO COMPETE MORE EFFECTIVELY IN INFIGHTING FOR ROK MILITARY PURCHASES.

9. IN CASE OF EXOCET, WE STRONGLY RECOMMEND THAT WE OFFER HARPOONS OUT OF 1975 AND 1976 PILOT PRODUCTION. FAILING THAT WE SHOULD TRY TO DELIVER HARPOONS IN TIME FOR INSTALLATION ON FIRST OF SECOND GENERATION PSSMS, I.E. BY OCTOBER 1976. WE BELIEVE EXOCET DELIVERY DATE AND OTHER FRENCH PROMISES MAY NOT ACTUALLY TURN OUT TO BE AS GOOD AS PROMISED, AND ANY EVIDENCE WE OBTAIN TO THAT EFFECT WE WILL PASS ON TO ROKS.

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MILITARY PROCUREMENT, MISSILES, SUBMARINES, MILITARY EQUIPMENT MAINTENANCE
Control Number: n/a
Copy: SINGLE
Draft Date: 13 JAN 1975
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: WorrelSW
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE007843
Document Source: CORE
Document Unique ID: 00
Drafter: JLKESSLER:DLS
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750013-0338
From: STATE JOINT
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750156/aaaabxdd.tel
Line Count: 172
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN SS
Original Classification: SECRET
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: LIMDIS
Reference: 75 SEOUL 8642
Review Action: RELEASED, APPROVED
Review Authority: WorrelSW
Review Comment: n/a
Review Content Flags:
Review Date: 16 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16 JUL 2003 by ElyME>; APPROVED <18 NOV 2003 by WorrelSW>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: THIRD COUNTRY PURCHASES OF EXOCET AND SUBMARINES
TAGS: MASS, MILI, KS, US
To: MANILA
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006